Financial Statements of

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Year ended March 31, 2015

pwc

June 22, 2015

Independent Auditor's Report

To the Board of Commissioners of Forensic Psychiatric Services Commission

We have audited the accompanying financial statements of Forensic Psychiatric Services Commission, which comprise the statement of financial position as at March 31, 2015 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation of these financial statements in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the financial statements which comprise the statement of financial position as at March 31, 2015 and the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and the related notes, are prepared, in all material respects, in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of matter
Without modifying our opinion, we draw your attention to note 1 to the financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 16 to the financial statements discloses the impact of these differences.

PricewaterhouseCoopers LLP

Chartered Accountants

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Financial Position
(Amounts expressed in thousands of dollars)

As at March 31, 2015

		2015		2014
Financial assets				
Cash and cash equivalents (note 2)	$	229	$	219
Accounts receivable (note 3)		26,972		17,909
		27,201		18,128
Liabilities				
Accounts payable and accrued liabilities (note 4)		13,099		7,284
Deferred research and designated contributions (note 5)		22		30
Asset retirement obligations (note 6)		319		311
Retirement allowance (note 7(a))		5,420		4,890
BC Public Service Long-term Disability Plan (note 7(c))		-		195
Deferred capital contributions (note 8)		7,471		2,104
		26,331		14,814
Net financial assets	$	870	$	3,314
Non-financial assets				
Tangible capital assets (note 9)	$	7,545	$	2,213
Inventories held for use		56		66
Prepaid expenses		471		3,314
		8,072		5,593
Accumulated surplus	$	8,942	$	8,907

Commitments and contingencies (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Commission:

Chair of the Commission

Commissioner

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Operations and Accumulated Surplus
(Amounts expressed in thousands of dollars)

Year ended March 31, 2015

	2015 Budget (note 1(k))	2015	2014
Revenues:			
Provincial Health Services Authority contributions	$ 55,682	$ 60,863	$ 61,529
Medical Services Plan	5,883	7,364	4,956
Other (note 11(a))	102	503	471
Recoveries from other health authorities and BC government reporting entities	480	475	536
Amortization of deferred capital contributions (note 8)	384	396	444
Research and designated contributions (note 5)	-	8	83
	62,531	69,609	68,019
Expenses (note 11(b)):			
Mental health and substance use	62,363	69,430	67,856
Corporate	168	144	159
	62,531	69,574	68,015
Annual surplus	$ -	$ 35	$ 4
Accumulated surplus, beginning of year	8,907	8,907	8,903
Accumulated surplus, end of year	$ 8,907	$ 8,942	$ 8,907

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Changes in Net Financial Assets
(Amounts expressed in thousands of dollars)

Year ended March 31, 2015

	2015 Budget (note 1(k))	2015	2014
Annual surplus	$ -	$ 35	$ 4
Acquisition of tangible capital assets	(11,737)	(5,763)	(419)
Transfer of tangible capital assets to other Agencies	-	-	141
Asset retirement obligations	-	(3)	7
Amortization of tangible capital assets	426	434	501
	(11,311)	(5,297)	234
Acquisition of inventories held for use	-	(195)	(208)
Acquisition of prepaid expenses	-	(5,759)	(6,069)
Consumption of inventories held for use	-	205	206
Use of prepaid expenses	-	8,602	5,705
	-	2,853	(366)
Decrease in net financial assets	(11,311)	(2,444)	(132)
Net financial assets, beginning of year	3,314	3,314	3,446
Net financial (debt) assets, end of year	$ (7,997)	$ 870	$ 3,314

See accompanying notes to financial statements.

FORENSIC PSYCHIATRIC SERVICES COMMISSION

Statement of Cash Flows
(Amounts expressed in thousands of dollars)

Year ended March 31, 2015

	2015	2014
Cash flows from (used in) operating activities:		
Annual surplus	$ 35	$ 4
Items not involving cash:		
Amortization of deferred capital contributions	(396)	(444)
Accretion of asset retirement obligations	5	6
Reduction in asset retirement obligations	-	(147)
Amortization of tangible capital assets	434	501
Retirement allowance expense	618	3,671
BC Public Service Long-term Disability Plan	(195)	326
	501	3,917
Net change in non-cash operating items (note 12(a))	(403)	(3,463)
Net change in cash from operating activities	98	454
Capital activities:		
Acquisition of tangible capital assets (note 12(b))	(5,763)	(278)
Net change in cash from capital activities	(5,763)	(278)
Financing activities:		
Retirement allowance benefits paid	(88)	(324)
Contributions to BC Public Service Long-term Disability Plan	-	(89)
Capital contributions	5,763	279
Net change in cash from financing activities	5,675	(134)
Increase in cash and cash equivalents	10	42
Cash and cash equivalents, beginning of year	219	177
Cash and cash equivalents, end of year	$ 229	$ 219

Supplementary cash flow information (note 12)

See accompanying notes to financial statements.

The Forensic Psychiatric Services Commission (the "Commission") was established as a Crown Corporation in November 1998 under the Order of the Lieutenant Governor in Council No. 1424. Pursuant to a transfer agreement, the Commission assumed budget and staff resources from the Ministry of Health (the "Ministry") on April 1, 1999.

The Commission is a member of the Provincial Health Services Authority ("PHSA" or the "Authority") which was created under the *Society Act of British Columbia* on December 12, 2001 with a Board of Directors appointed by the Ministry and is one of six health authorities in British Columbia ("BC"). The Commission is dependent on the Ministry to provide sufficient funds to continue operations, replace essential equipment and complete its capital projects. The Commission is a not-for-profit organization under the *Income Tax Act* and, as such, is exempt from income and capital taxes.

The following agencies/programs (collectively referred to as "Agencies") are also included in PHSA:

British Columbia Cancer Agency Branch;

British Columbia Centre for Disease Control and Prevention Society Branch;

British Columbia Emergency Health Services Corporation;

British Columbia Mental Health Society Branch;

British Columbia Provincial Renal Agency;

British Columbia Transplant Society Branch;

Cardiac Services British Columbia;

Children's & Women's Health Centre of British Columbia Branch; and

Health Shared Services BC.

Effective December 31, 2001, the Commission and the above-noted branch societies except for Health Shared Services BC and British Columbia Emergency Health Services Corporation were amalgamated with, and continue the operations of, their respective former societies under bylaws and constitutions consistent with PHSA. The amalgamated Commission is considered a continuation of the former Commission for financial reporting purposes.

The Commission operates the Forensic Psychiatric Hospital and six community forensic psychiatric services clinics. The Commission conducts fitness assessments of individuals appearing before the courts and provides treatment to those found not guilty by reason of mental disorder.

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the "framework").

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

The *Budget Transparency and Accountability Act* requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges and Hospitals sectors to adopt Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB") without any PS 4200 series.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and referred to as deferred capital contributions, and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal periods during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.

(ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions or deferred research and designated contributions, and recognized in revenue in the year in which the stipulation or restriction on the contributions has been met by the Commission.

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which require that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410, *Government Transfers*;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified, in accordance with PS 3100, *Restricted Assets and Revenues*; and
- deferred contributions meet liability criteria in accordance with PS 3200, *Liabilities*.

As a result, revenue recognized in the statement of operations and certain deferred capital contributions would be recorded differently under PSAS. The impact of accounting for restricted contributions in accordance with Regulation 198/2011 is disclosed in note 16.

(b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(c) Accounts receivable:

Accounts receivable are recorded at amortized cost less an amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value when risk of loss exists. Changes in valuation allowance are recognized in the statement of operations.

(d) Asset retirement obligations:

The Commission recognizes an asset retirement obligation in the period in which it incurs a legal or constructive obligation associated with the retirement of a tangible capital asset, including leasehold improvements resulting from the acquisition, construction, development, and/or normal use of the asset.

The obligation is measured at the best estimate of the future cash flows required to settle the liability, discounted at estimated credit-adjusted risk-free discount rates. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset.

1. Significant accounting policies (continued):

(d) Asset retirement obligations (continued):

The liability is accreted to reflect the passage of time. At each reporting date, the Commission reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rates, with the offsetting amount recorded to the carrying amount of the related asset.

(e) Employee benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employer defined long-term disability and health and welfare benefits plans as employees render services to earn the benefits.

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors. Plan assets are measured at fair value.

The cumulative unrecognized actuarial gains and losses on retirement allowance benefits are amortized over the expected average remaining service period of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2014 – 10 years). Actuarial gains and losses on event-driven benefits such as long-term disability and health and welfare benefits that do not vest or accumulate are recognized immediately.

The discount rate used to measure the obligations is based on the Province of BC's cost of borrowing, if there are no plan assets. Where there are plan assets, the discount rate is the rate of return on plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when they become payable.

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Commission to pay benefits occurs.

1. Significant accounting policies (continued):

(f) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Basis
Land improvements	20 years
Buildings	15 – 50 years
Equipment	3 – 20 years
Information systems	3 – 5 years
Leasehold improvements	Lease term to a maximum of 20 years
Vehicles	4 – 7 years

Assets under construction or development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Commission's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write-downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. Such fair value becomes the cost of the contributed asset. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(ii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost. Cost includes the purchase price, import duties and other taxes, transport, handling and other costs directly attributable to the acquisition. Replacement cost is the estimated current price to replace the items.

(iii) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period during which the service benefits are received.

1. Significant accounting policies (continued):

(g) Revenue recognition:

Under the *Hospital Insurance Act* and *Regulation* thereto, the Commission is funded primarily by the Province of BC in accordance with budget management plans and performance agreements established and approved by the Ministry.

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenues related to fees or services received in advance of the fees being earned or the services being performed are deferred and recognized when the fees are earned or services are performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

Volunteers contribute a significant amount of their time each year to assist the Commission in carrying out its programs and services. Because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided fair value can be reasonably determined.

(h) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the valuation of accounts receivable, the estimated useful lives of tangible capital assets, amounts to settle asset retirement obligations, contingent liabilities and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(i) Foreign currency translation:

The Commission's functional currency is the Canadian dollar. The Commission does not have significant transactions denominated in foreign currencies.

1. Significant accounting policies (continued):

(j) Financial instruments:

Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance. All other financial liabilities are recorded using cost or amortized cost.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for the Commission's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

(k) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the Commission's Fiscal 2014/2015 Budget approved by the Board of Directors on June 26, 2014. The budget is reflected in the statement of operations and accumulated surplus and the statement of changes in net financial assets.

1. Significant accounting policies (continued):

(l) Future accounting standards:

(i) In March 2015, PSAB issued PS 2200, *Related Party Disclosures.* PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements. PS 2200 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 2200 on the financial statements of the Commission.

(ii) In March 2015, PSAB issued PS 3420, *Inter-entity Transactions.* PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. The main features of the standard are as follows:

- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis;
- Transactions are measured at the carrying amount, except in specific circumstances;
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice; and
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.

Requirements of this standard are considered in conjunction with requirements of PS 2200. PS 3420 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3420 on the financial statements of the Commission.

2. Cash and cash equivalents:

		2015		2014
Restricted cash	$	168	$	178
Cash and cash equivalents		61		41
	$	229	$	219

Restricted cash is related to patient trust accounts.

3. Accounts receivable:

	2015	2014
Provincial Health Services Authority	$ 24,809	$ 16,422
Medical Services Plan	1,795	620
Federal government	293	399
Patients, clients and agencies	3	11
Other health authorities and BC government reporting entities	3	-
Other	82	457
	26,985	17,909
Allowance for doubtful accounts	(13)	-
	$ 26,972	$ 17,909

4. Accounts payable and accrued liabilities:

	2015	2014
Trade accounts payable and accrued liabilities	$ 8,017	$ 2,823
Salaries and benefits payable	2,593	2,617
Accrued vacation pay	2,321	1,666
Patient trust funds	168	178
	$ 13,099	$ 7,284

5. Deferred research and designated contributions:

Deferred research and designated contributions represent unspent contributions received to fund research and other activities. Contributions are received from various non-government grantors, such as foundations, pharmaceutical companies and other donors, for various research projects in the field of treatment, clinical trials, and other special purpose initiatives.

	2015	2014
Deferred research and designated contributions, beginning of year	$ 30	$ 101
Contributions received during the year	-	12
Amounts recognized as revenue in the year	(8)	(83)
Deferred research and designated contributions, end of year	$ 22	$ 30

6. Asset retirement obligations:

		2015		2014
Asset retirement obligations, beginning of year	$	311	$	459
Change in estimates		3		(154)
Accretion		5		6
Asset retirement obligations, end of year	$	319	$	311

The Commission has accrued asset retirement obligations representing the estimated cost to settle obligations related to leased premises at future dates. The settlement of these obligations will occur at the expiry of the leases.

The value of the obligations is management's best estimate of the obligations, determined by discounting the estimated cash outflows of $325 (2014 – $328) over the term to expected settlement, at a credit-adjusted risk-free rate of 0.56% (2014 – 1.50%). Estimated future cash flows are adjusted for an inflation factor of 2.00% (2014 – 2.00%).

The asset retirement obligations have been capitalized as part of related tangible capital assets. The asset retirement obligations capitalized in respect of leasehold improvements are amortized over the term until settlements are completed.

7. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or more years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective or employee agreements. These payments are based upon accumulated sick leave credits and entitlements for each year of service.

The Commission's liabilities are based on an actuarial valuation as at the early measurement date of December 31, 2012 and extrapolated to March 31, 2015 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2015 are derived. The next expected valuation will be as of December 31, 2015.

7. Employee benefits (continued):

(a) Retirement allowance (continued):

Information about retirement allowance benefits is as follows:

	2015	2014
Accrued benefit obligation:		
Severance benefits	$ 3,012	$ 3,065
Sick leave benefits	2,322	2,383
	5,334	5,448
Unamortized actuarial gain (loss)	86	(558)
Accrued benefit liability	$ 5,420	$ 4,890

The accrued benefit liability for retirement allowance reported on the statement of financial position is as follows:

	2015	2014
Accrued benefit liability, beginning of year	$ 4,890	$ 1,543
Net benefit expense:		
Current service cost	326	269
Interest expense	236	200
Amortization of actuarial loss (gain)	56	(65)
Plan amendment	-	3,267
Net benefit expense	618	3,671
Benefits paid	(88)	(324)
Accrued benefit liability, end of year	$ 5,420	$ 4,890

7. Employee benefits (continued):

(a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring the Commission's accrued retirement benefit obligation are as follows:

	2015	2014
Accrued benefit obligation as at March 31:		
Discount rate	3.98%	4.26%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	4.26%	4.41%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increases	2.00%	2.00%

(b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the "Trust") administers long-term disability benefits and group life insurance, accidental death and dismemberment, extended health and dental claims ("health and welfare benefits") for certain employee groups of the Commission and other provincially funded organizations.

(i) Long-term disability and health and welfare benefits:

The Trust is a multiple employer plan with respect to long-term disability benefits initiated after September 30, 1997 and health and welfare benefits after December 31, 2014. The assets and liabilities for these long-term disability and health and welfare benefits have been segregated for PHSA, but not for individual branches of PHSA. Accordingly, the Commission participates in a multi-employer defined benefit plan for long-term disability and health and welfare benefits that is now restricted to members of PHSA.

The most recent actuarial valuation for the PHSA plan at December 31, 2014 extrapolated to March 31, 2015 indicated a surplus of $9,860 (March 31, 2014 – $20,299). Contributions of $1,087 (2014 – $558) were expensed during the year. The PHSA plan covers approximately 12,000 active employees, of which approximately 400 are employees of the Commission. The next expected valuation will be as of December 31, 2015.

7. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(ii) Other Trust benefits:

The group life insurance, accidental death and dismemberment, extended health, dental, and pre-October 1, 1997 long-term disability claims administered by the Trust were structured as a multi-employer plan prior to December 31, 2014. Contributions to this pool for the nine month period ended December 31, 2014 of $805 (twelve months ended March 31, 2014 – $1,054) were expensed during the year. From January 1, 2015, the Commission no longer participates in this pool. Starting January 1, 2015, the contributions are made to and benefits are provided through the long-term disability and health and welfare benefit plan.

(c) BC Public Service Long-term Disability Plan:

The BC Public Service administers the Long-term Disability Plan (the "Plan") for the employees of the Commission and other provincially funded organizations. The Plan is a multiple employer plan. The Commission's assets and liabilities for these long-term disability benefits have been segregated. Accordingly, the Commission's net plan (assets) liabilities are reflected in these financial statements.

The Commission's (assets) liabilities are based on the actuarial valuation at September 30, 2014, with the next expected valuation as of September 30, 2015.

During the year ended March 31, 2015, the Plan was transferred to the Province of BC.

The BC Public Service Long-term Disability Plan (asset) obligation reported on the statement of financial position is as follows:

	2015	2014
Accrued long-term disability benefit obligation	$ -	$ 2,575
Fair value of plan assets	-	(2,380)
Net obligation	$ -	$ 195

7. Employee benefits (continued):

(c) BC Public Service Long-term Disability Plan (continued):

		2015		2014
Long-term disability benefits obligation (asset), beginning of year	$	195	$	(42)
Net benefit expense:				
Actuarial loss		-		191
Administration expense		-		71
Long-term disability expense		-		60
Expected return on assets		-		(77)
Net benefit expense		-		245
Effect of change in Plan valuation date		-		81
Contributions to the Plan		-		(89)
Transfer of the Plan to the Province		(195)		-
Long-term disability benefits obligation, end of year	$	-	$	195

(d) Employee pension benefits:

The Commission and its employees contribute to the Municipal Pension Plan and the Public Service Pension Plan, multi-employer defined benefit pension plans governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of $145 (2014 – $5) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2012 indicated an unfunded liability of approximately $1,370,000. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 179,000 active members, of which approximately 70 are employees of the Commission (2014 – 20). The next expected valuation will be as of December 31, 2015.

Employer contributions to the Public Service Pension Plan of $2,816 (2014 – $2,867) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at March 31, 2014 indicated a surplus of approximately $194,000. The actuary does not attribute portions of the surplus to individual employers. The plan covers approximately 54,000 active members, of which approximately 480 are employees of the Commission (2014 – 510). The next actuarial valuation will be as of March 31, 2017.

8. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions and other funding received for the purchase of tangible capital assets.

	2015	2014
Deferred capital contributions, beginning of year	$ 2,104	$ 2,269
Capital contributions received:		
Provincial Health Services Authority	5,763	279
Amortization for the year	(396)	(444)
Deferred capital contributions, end of year	$ 7,471	$ 2,104

The Commission does not have unspent capital contributions.

9. Tangible capital assets:

Cost	2014	Additions	Transfers	2015
Land improvements	$ 43	$ -	$ -	$ 43
Buildings	1,128	-	-	1,128
Equipment	3,367	44	(77)	3,334
Information systems	784	16	-	800
Leasehold improvements	2,654	1	-	2,655
Vehicles	624	-	77	701
Construction in progress	380	5,705	-	6,085
Total	$ 8,980	$ 5,766	$ -	$ 14,746

Accumulated amortization	2014	Amortization	Transfers	2015
Land improvements	$ 43	$ -	$ -	$ 43
Buildings	397	83	-	480
Equipment	2,808	147	(77)	2,878
Information systems	761	20	-	781
Leasehold improvements	2,202	152	-	2,354
Vehicles	556	32	77	665
Total	$ 6,767	$ 434	$ -	$ 7,201

9. Tangible capital assets (continued):

Cost	2013	Additions	Disposals	Transfers	2014
Land improvements	$ 43	$ -	$ -	$ -	$ 43
Buildings	1,128	-	-	-	1,128
Equipment	3,889	39	-	(561)	3,367
Information systems	818	-	-	(34)	784
Leasehold improvements	2,661	-	(7)	-	2,654
Vehicles	645	-	(21)	-	624
Construction in progress	-	380	-	-	380
Total	$ 9,184	$ 419	$ (28)	$ (595)	$ 8,980

Accumulated amortization	2013	Amortization	Disposals	Transfers	2014
Land improvements	$ 43	$ -	$ -	$ -	$ 43
Buildings	314	83	-	-	397
Equipment	3,058	170	-	(420)	2,808
Information systems	779	16	-	(34)	761
Leasehold improvements	2,021	181	-	-	2,202
Vehicles	526	51	(21)	-	556
Total	$ 6,741	$ 501	$ (21)	$ (454)	$ 6,767

Net book value	2015	2014
Buildings	$ 648	$ 731
Equipment	456	559
Information systems	19	23
Leasehold improvements	301	452
Vehicles	36	68
Construction in progress	6,085	380
Total	$ 7,545	$ 2,213

Tangible capital assets are funded as follows:

	2015	2014
Deferred capital contributions	$ 7,471	$ 2,104
Internally funded	74	109
Tangible capital assets	$ 7,545	$ 2,213

10. Commitments and contingencies:

(a) Construction in progress:

As at March 31, 2015, the Commission had outstanding commitments for construction in progress of $2,983 (2014 – $11,619).

(b) Operating leases:

The aggregate minimum future annual rentals under operating leases for the years ending March 31 are as follows:

2016	$	821
2017		541
2018		377
2019		282
2020		201
Thereafter		447
	$	2,669

(c) Litigation and claims:

Risk management and insurance services for all health authorities in BC are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

The nature of the Commission's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2015, management is of the opinion that the Commission has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Commission's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

11. Statement of operations:

(a) Other revenues:

		2015		2014
Recoveries from sales of goods and services	$	501	$	346
Other		2		125
	$	503	$	471

11. Statement of operations (continued):

(b) The following is a summary of expenses by object:

	2015	2014
Compensation:		
Compensation	$ 44,134	$ 39,109
Employee benefits	8,060	11,277
Loss on event-driven employee benefits	-	191
	52,194	50,577
Referred-out and contracted services:		
Health and support services providers	4,807	4,923
Other health authorities and BC government reporting entities	2,040	2,233
	6,847	7,156
Equipment and building services:		
Rent	6,164	5,494
Building and grounds service contracts	405	346
Equipment	247	304
Plant operations (utilities)	29	17
	6,845	6,161
Supplies:		
Food and dietary	807	758
Drugs and medical gases	571	564
Printing, stationery and office	131	110
Medical and surgical	129	96
Laundry and linen	36	65
Housekeeping	11	11
Diagnostic	7	6
Other	217	186
	1,909	1,796
Sundry:		
Professional fees	654	808
Travel	268	252
Patient transport	34	30
Communication and data processing	31	33
Other	345	616
	1,332	1,739
Amortization of tangible capital assets	434	501
Research and designated expenses	8	79
Accretion of asset retirement obligations	5	6
	$ 69,574	$ 68,015

12. Supplementary cash flow information:

(a) Net change in non-cash operating items:

	2015	2014
Accounts receivable	$ (9,063)	$ (2,689)
Accounts payable and accrued liabilities	5,815	(337)
Deferred research and designated contributions	(8)	(71)
Inventories held for use	10	(2)
Prepaid expenses	2,843	(364)
	$ (403)	$ (3,463)

(b) Acquisition of tangible capital assets:

Assets purchased or acquired through debt or other non-cash transactions are excluded from acquisition of tangible capital assets on the statement of cash flows.

	2015	2014
Additions to (reductions in) asset retirement obligations (note 6)	$ 3	$ (7)
Transfer of tangible capital assets to other Agencies	-	(141)
	$ 3	$ (148)

13. Related parties:

(a) BC government reporting entities:

The Commission is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

13. Related parties (continued):

(a) BC government reporting entities (continued):

The financial statements include transactions and balances with these parties in the following amounts:

		2015		2014
Revenues:				
Medical Services Plan	$	7,364	$	4,956
Other health authorities and government entities		475		536
	$	7,839	$	5,492
Expenses:				
Equipment and building services	$	5,426	$	5,194
Referred-out and contracted services		2,040		2,233
Supplies		241		269
Compensation and benefits		148		84
Sundry		116		221
	$	7,971	$	8,001
Accounts receivable:				
Medical Services Plan	$	1,795	$	620
Other health authorities and BC government reporting entities		3		-
	$	1,798	$	620
Accounts payable and accrued liabilities	$	5,326	$	932

(b) Related party transactions with PHSA and members:

Certain administrative, finance and accounting, and human resource services are provided to the Commission by PHSA without charge. The costs of these services have not been recorded in the financial statements of the Commission.

During the year, the Commission was involved in the following related party transactions with other PHSA members:

For the year ended March 31, 2015, revenues include $1,069 (2014 – $197) resulting from transactions with other PHSA members.

The above amounts exclude transactions with PHSA which are disclosed elsewhere in these financial statements.

14. Risk management:

The Commission is exposed to credit risk and liquidity risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from the Commission's financial instruments is provided below by type of risk.

(a) Credit risk:

Credit risk primarily arises from the Commission's cash and cash equivalents and accounts receivable. The risk exposure is limited to their varying amounts at the date of the statement of financial position.

The Commission manages credit risk by holding balances of cash and cash equivalents with a reputable top rated financial institution. The Commission periodically reviews its investments and is satisfied with the credit rating of the financial institution.

Accounts receivable primarily consist of amounts receivable from the Ministry, PHSA, other health authorities and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors, etc. To reduce the risk, the Commission periodically reviews the collectibility of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts.

The Commission is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, PHSA, other health authorities and BC government reporting entities. As at March 31, 2015, the amount of allowance for doubtful accounts was $13 (2014 - $-).

(b) Liquidity risk:

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they become due. It is the Commission's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from the Ministry.

The Commission's principal source of funding is from the Ministry. The Commission is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter or grant documentation. The Commission has complied with the external restrictions on the funding provided.

All financial assets and liabilities of the Commission have maturities within one year.

15. Comparative figures:

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

16. Impact of accounting for restricted contributions in accordance with Restricted Contributions Regulation 198/2011:

As disclosed in the significant accounting policies note 1(a), Regulation 198/2011 requires the Commission to recognize revenue from restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset on the same basis as the related amortization expense of the tangible capital asset. As these transfers do not contain stipulations or restrictions creating a liability over the term of the expected useful life of a related tangible capital asset, PSAS would require these contributions to be recognized in revenue as a tangible capital asset is acquired or development and construction of a tangible capital asset is complete.

The impact of the departure from PSAS on the financial statements of the Commission is as follows:

As at March 31, 2013	
Increase in accumulated surplus	$ 2,269
Decrease in deferred capital contributions	(2,269)
For the year ended March 31, 2014	
Decrease in annual surplus	(165)
As at March 31, 2014	
Increase in accumulated surplus	2,104
Decrease in deferred capital contributions	(2,104)
For the year ended March 31, 2015	
Increase in annual surplus	5,367
As at March 31, 2015	
Increase in accumulated surplus	7,471
Decrease in deferred capital contributions	(7,471)